

**PUBLIC DISCLOSURE**

**NOVEMBER 14, 2012**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**NEWTON TEACHERS CREDIT UNION  
CERT # 67992**

**457 WALNUT STREET  
NEWTONVILLE, MA 02460**

**DIVISION OF BANKS  
1000 WASHINGTON STREET  
BOSTON, MA 02118**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Newton Teachers Credit Union (or the "Credit Union")**, prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

The assessment of Newton Teachers Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

According to CRA regulations, an institution shall delineate one or more assessment areas within which the institution will meet the credit needs and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-laws provisions are not based upon residence are permitted to designate its membership as its assessment area. Therefore, since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted. This evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various incomes, including low to moderate-income members; and the Credit Union's fair lending performance.

The Credit Union's average net loan-to-share ratio for the period was calculated at 22.9 percent, satisfactory performance at this time.

The distribution of loans to members of different income levels is considered satisfactory and is representative of its membership.

The *Review of Complaints and the Fair Lending* section indicates the Credit Union has made reasonable efforts in attracting and serving all applicants within its membership.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Newton Teachers Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts on February 19, 1937. The Credit Union is non-profit and wholly cooperative, being organized solely for the promotion of thrift among its members and by the accumulation of their savings and the loaning of such accumulations to its members for provident purposes. Membership is opened to those who are employed by the Newton Public Schools, the immediate families of credit union members, and Newton Public School retirees who were Credit Union members prior to retiring. Membership is also open to employees of the following organizations affiliated with the Newton Public Schools: The EDOC Program, Plowshares and Newton Community Schools.

The Credit Union has one office located at Newton North High School, 457 Walnut Street, Newtonville. Office hours are Monday, Wednesday and Thursday, 1:00 p.m. to 4:00 p.m. The Credit Union offers savings accounts, certificates of deposits, IRA accounts, personal loans, automobile loans, and payroll deduction for Newton Public School employees. The Credit Union offers "internet teller." Internet teller allows members access to account information, make transfers, open new accounts, apply for loans, and gives the date and description of their last transaction made either through the internet or at the Credit Union. The Credit Union maintains a website at [www.info@newtonteacherscu.org](http://www.info@newtonteacherscu.org). The website provides information about branch location and hours, products and services, online services, and other financial services available to customers.

The Credit Union was last examined for compliance with the CRA on October 22, 2007. The examination resulted in a CRA rating of Satisfactory. The Credit Union's assets have increased from \$2.2 million to \$2.7 million since the previous examination.

As of September 30, 2012, the Credit Union's asset size was \$2,686,320 with total loans of \$469,545 or 17.5 percent of total assets. The Credit Union's net-loan-to-share ratio, as of the same date, was 20.2 percent.

The Credit Union's primary loan base is comprised of "other unsecured loans/lines of credit" representing the largest portion of loans with 65.8 percent, followed by used vehicle loans at 25.8 percent and new vehicle loans at 8.4 percent.

Table 1 details the Credit Union's loan portfolio:

<b>Table 1 Newton Teachers Credit Union Loan Portfolio Distribution</b>		
<b>Loan Type</b>	<b>Dollar Volume</b>	<b>Percentage of Total Loans</b>
All Other Unsecured Loans/Lines of Credit	309,135	65.8
Used Vehicle Loans	120,985	25.8
New Vehicle Loans	39,425	8.4
<b>Total</b>	<b>469,545</b>	<b>100.0</b>
<i>Source: 5300 Report, Statement of Financial Condition as of September 30, 2012</i>		

Other than its small asset size and limited resources, there appears to be no significant financial or legal impediments which would limit the Credit Union's ability to help meet the credit needs of its membership.

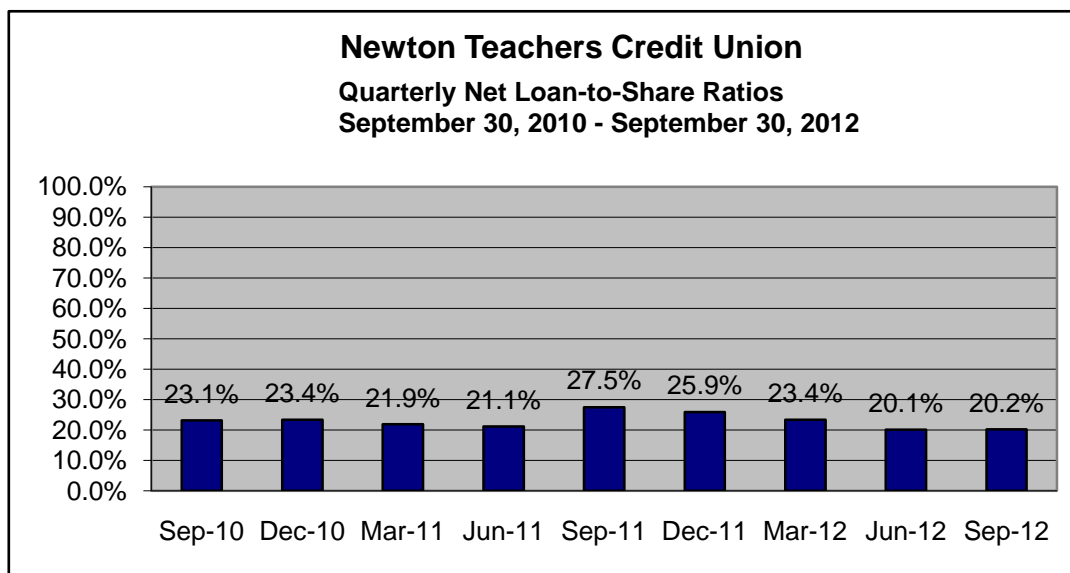
### **Description of Assessment Area**

In accordance with the requirements of 209 CMR 46.41(8), the Credit Union defines its membership as its assessment area. As of September 30, 2012, the Credit Union had 427 members.

## PERFORMANCE CRITERIA

### 1. LOAN TO SHARE ANALYSIS

A comparative analysis of Newton Teachers Credit Union's quarterly net loan-to-share (LTS) ratios for the period of September 30, 2010 through September 30, 2012, was conducted during this examination. The analysis was conducted to determine the extent of the Credit Union's lending compared to shares received from its membership. Using the National Credit Union Administration (NCUA) quarterly Call Reports, the average net loan-to-share ratio for this period was 22.9 percent. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares. The following graph is provided for further analysis.



As shown in the graph above, the Credit Union's net loan-to-share ratio has fluctuated from a high of 27.5 percent on September 30, 2011 to a low of 20.1 percent on June 30, 2012. During this time period, net loans have decreased \$121,425 or 20.7 percent, shares have decreased \$229,565 or 9.1 percent and assets have decreased 8.4 percent or \$247,809. This is consistent with the current economic trends and does not negatively reflect upon the Credit Union's performance.

Based on the foregoing information, the Credit Union's asset size, limited resources and product offerings, and the credit needs of its members, the Credit Union's net loan-to-share ratio is reasonable.

### 2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

A sample of the Credit Union's consumer loan data from January 1, 2011 through September 30, 2012 was analyzed in order to determine the distribution of credit based upon the income level of borrowers. The loan sample consisted of unsecured personal loans and automobile loans. This examination compares the borrower income to the median family income for the Metropolitan Statistical Area (MSA) in which the borrower

resides. The borrower income analysis was based on the median family incomes for the Cambridge-Newton-Framingham MSA for 2011 and 2012 which was \$105,000 and \$106,400, respectively.

The four income categories which define the income level of borrowers include low, moderate, middle and upper-income. The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the MSA.

As defined by the U.S. Department of Housing and Urban Development (HUD) low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA's median family income, while upper-income is defined as income level that is equal to or greater than 120 percent of the MSA's median family income.

A review of 25 loans for 2011 and 25 loans for 2012 was conducted to determine the borrower's income level. The following chart details the distribution of this sample of loans by income of the borrower.

PERCENT LOAN DISTRIBUTION BY BORROWER INCOME			
<b>INCOME LEVEL</b>	<b>2011</b>	<b>Through 9/30/2012</b>	<b>TOTAL</b>
Low-income	28	16	22
Moderate- Income	36	56	46
Middle-Income	28	12	20
Upper-Income	8	16	12
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

For both years reviewed, the majority of the sampled loans were to borrowers in the low-and moderate-income category. This is not unexpected as such loans are generally originated with one borrower, while median income data is based on family or household income. However, the balanced distribution of lending across all levels of income reflects the Credit Union's willingness and ability to service its entire membership.

Based upon the analysis of borrower income, the Credit Union demonstrates a satisfactory level of performance in providing loans to borrowers of different incomes and meets the standards for satisfactory performance.

### **3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICES AND PRACTICES**

The Credit Union's Fair Lending Policy and practices were reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. A review of the Credit Union's public comment file indicated the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no violations of the anti-discrimination laws and regulations were identified.

Newton Teachers Credit Union has a written Fair Lending Policy. Included in this policy are the Credit Union's efforts to eliminate discrimination in all aspects of lending, as well as to provide guidance to Credit Union employees on how to comply with fair lending policies and procedures.

The Credit Union has a second review for denied loan applications. All denied loans are reviewed by the Credit Committee. The Credit Committee consists of three Board Members.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 457 Walnut Street, Newtonville, MA 02460."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing.

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.